The Department of Finance
Strategic Plan 2006-2008

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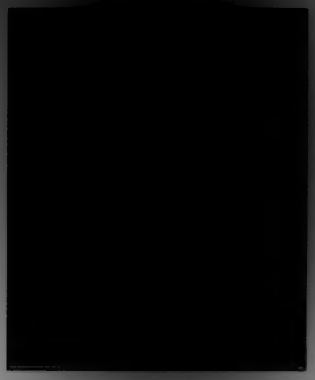
Message from the Minister



As Minister of Finance, it is my pleasure to provide the strategic plan for the Department of Finance for the fiscal years ending 2007 and 2008. The Department of Finance has received the designation of a Category 1 Government Entity; as such the anticipated outcomes of strategic directions contained in the department's plan are intended to affect the physical, social, or economic well being of the province. The strategic directions contained in this plan represent the desired physical, social, or economic outcomes that require action by, or involvement of, one or more of the entities for which I am responsible. In developing the strategic goals of the department consideration was given to the strategic directions of government, the Department of Finance's mandate as well as the availability of financial resources.

This document contains an overview of the Department of Finance and details the key strategic goals and objectives to be accomplished during the fiscal periods covered by this plan. An outline of the strategic directions of government has been placed in Appendix A of this report and the directions contained within have been communicated to the entities (contained in Appendix B) which report to me, for consideration in the development of their plans.

As the Minister of Finance, I am accountable for the achievement of the specific goals and objectives outlined in the plan.

THOMAS W. MARSHALL, Q.C.
Minister of Finance

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1.0 Departmental Overview

The Department of Finance is responsible for matters related to the financial, fiscal and economic policy of government and has stewardship over all public funds, which for the fiscal year ended 31 March 2006, was approximately $5 billion. The department provides analysis and advice on these matters through the Minister to Cabinet and its committees, particularly Treasury Board, for which the Minister of Finance serves as President. The Department of Finance is also responsible for the administration of provincial tax statutes, as well as for the provision of centralized services to other departments such as economic analysis and statistical services, controllership and financial management, payroll, pensions and other benefits.

The department is comprised of Executive and Support Services and four branches: Taxation and Fiscal Policy, Financial Planning and Benefits Administration, Office of the Comptroller General and Economics and Statistics. Each branch is responsible to an Assistant Deputy Minister, who reports to the Deputy Minister of Finance who, in turn, is responsible to the Minister of Finance. The department has 201 permanent positions, with one position being located in Corner Brook. The following table provides a breakdown of the department's resources.

Department Resource Summary

	Executive and Support Services	Taxation and Fiscal Policy	Financial Planning and Benefits Administration	Office of the Comptroller General	Economics and Statistics	Total
Operating Expenses and Revenues ($000)						
2006/07 (Estimates)						
Operating	1,607	5,297	4,180	3,408	2,724	17,216
Revenue	80	15	2,698	306	1,403	4,502
Total	1,527	5,282	1,482	3,102	1,321	12,714
2005/06 (Revised)						
Operating	1,369	4,705	3,844	2,696	2,066	14,680
Revenue	80	18	2,536	315	1,217	4,166
Total	1,289	4,687	1,308	2,381	849	10,514
2005/06 (Budget)						
Operating	1,650	6,076	3,923	2,730	2,463	16,842
Revenue	80	0	2,610	38	1,472	4,200
Total	1,570	6,076	1,313	2,692	991	12,642
Permanent Positions						
	12	60	65	50	14	201
Gender Analysis of Permanent Positions						
Female	8	37	41	32	6	124
Male	4	23	24	18	8	77

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2.0 Plan at a Glance

VISION A province with a vibrant and self reliant economy and prosperous people.

MISSION Support government in the effective management of the province's finances, achievement of annual surpluses and the development of a business climate which promotes economic growth.

Goals and Objectives

GOAL 1:

The department will have by March 31, 2008 effectively managed the province's financial operating resources and recommended actions to ensure budget surpluses are achieved for fiscal years ending 2007 and 2008.

Objectives:

- The department will have by March 31, 2007 recommended actions to ensure a surplus is achieved for fiscal year 2006/07.
- The department will have by March 31, 2008 recommended actions to ensure a surplus is achieved for fiscal year 2007/08.

GOAL 2:

The department will have by March 31, 2008 improved the funded status of provincial public sector pension plans.

Objectives:

- The department will have by March 31, 2007 invested more monies into the Pooled Pension Fund and begun the capital market borrowing plan.
- The department will have by March 31, 2008 completed the capital market borrowings.

GOAL 3:

The department will have by March 31, 2008 completed a review of the province's overall tax structures and recommended actions to improve the business climate and upon direction of government designed and implemented changes to the existing taxation regime.

Objectives:

- The department will have by March 31, 2007 completed a review and analysis of the province's overall tax structures and recommended actions to improve upon personal and business taxation.
- The department will have by March 31, 2008 actioned priority recommendations, as approved by Cabinet, with respect to the province's tax structure.

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3.0 Departmental Mandate

The Mandate of the Department of Finance is derived from the *Financial Administration Act*, the *Executive Council Act* and an Order in Council (OC1445(a)-76) and various Treasury Board Minutes.

The *Financial Administration Act* confers various financial responsibilities and authority, pertaining to the stewardship of public money administered through the Department of Finance, including the following:

- the formulation, function and powers of Treasury Board;
- disbursements of public money;
- revenues and receipts of public money;
- the creation, duties and responsibilities of the Comptroller General of Finance;
- public debt;
- the investment of public money;
- sinking funds;
- the estimates of the province;
- the issuance of special and general warrants of supply;
- the role and responsibilities of the various Deputy Ministers or other officers responsible for a Head of Expenditure;
- appropriation controls;
- the role and responsibilities of the Lieutenant-Governor in Council, the House of Assembly and the Lieutenant-Governor with respect to public money; and
- the Public Accounts of the province.

The *Department of Finance Notice* under the *Executive Council Act*, Section 4, states that the department is responsible for the supervision, control and direction of all matters relating to:

- economic policy and statistics;
- debt management;
- administration of pensions and employee benefits;
- tax policy and administration of tax statutes;
- federal/provincial fiscal arrangements;
- project analysis; and
- the administration of the Acts set out in the Schedule to the *Executive Council Act*.

Order in Council (OC1445(a)–76) and various Minutes of Treasury Board confer responsibility with respect to the internal audit function and insurance administration, respectively.

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4.0 Lines of Business

The Department of Finance delivers its mandate through the following lines of business:

1. **Debt Management** - Management of the province's borrowing and debt servicing programs, including cash management and the investment of trusted assets, and the operation of certain financial assistance programs involving loan guarantees, direct loans and equity investments; and administers several crown corporations including NL Municipal Financing Corporation; NL Industrial Development Corporation; and NL Government Fund Limited.

2. **Pensions Management** - Management of various provincial public sector pension programs, including policy development and advice, the delivery and communication of benefit services and the investment of related trust assets.

3. **Fiscal Policy** - Negotiation and administration of all programs under federal-provincial fiscal arrangements; forecasting, analysis and monitoring of provincial revenues; coordination of the annual budget speech and pre-budget consultation process; and analytical support for the development of government's fiscal policy.

4. **Project Analysis** - Analysis of the financial and economic impact of specific projects to assist government in decision making and/or policy development.

5. **Tax Policy** - Analysis and assessment of the implications of changes to existing provincial taxation policies, options for taxation reform and new revenue proposals, and the negotiation and monitoring of federal-provincial tax agreements.

6. **Tax Administration** - Administration of various provincial taxes and incentive programs including: tobacco tax, gasoline tax, health and post secondary education tax, mining and mineral rights tax, insurance companies tax, utilities tax, financial corporations' capital tax, retail sales tax, school tax, the direct equity tax credit program and rebate programs.

7. **Economic Research and Analysis** - Analysis and forecasting of the macroeconomic environment; provision of specific macroeconomic analysis and studies related to policy and project impact assessments, publishing of the budget document, *The Economy*, and the mid-year review report (*The Economic Review*).

8. **Newfoundland and Labrador Statistics** - Statistical and analytical services, including the development of provincial specific survey processes, specific provincial data such as the Community Accounts, Geo-statistical Survey Unit, Neighborhood Accounts and other unique information necessary for government's policy development and analysis; government's central source for data collection and information resources produced by Statistics Canada; and participates in the development of systems for specific government programs.

9. **Comptrollership** - Administration of responsibilities, pursuant to the *Financial Administration Act*, which includes providing more complete control over the administration of the Consolidated Revenue Fund of the province with respect to the receipt and payment of public moneys, accounting policy, books of the province, reporting responsibilities, financial analysis, advice, internal auditing and related matters.

10 **Financial Management** - Budget preparation and monitoring; sets financial policies for government entities; provides financial analysis and advice to Cabinet and its committees; provides financial services to three public Crown Corporations; prepares the Estimates and multi–year fiscal plans; recommends allocation of financial resources to departments; acts as Secretariat to Treasury Board by setting the agenda and providing information back to the departments.

11. **Insurance Programs** - Management of the property, liability and group insurance for select government entities and public sector employees.

5.0 Values

The Department of Finance is committed to providing timely, professional, and quality services through the efficient use of our resources. We work cooperatively with government departments, Crown Corporations, agencies and boards, and other stakeholders to ensure our services are responsive to their needs. We believe in the value of our employees, the team approach to problem solving, and the need for progressive training and education in creating job satisfaction and career development.

Core values explain the character of the organization we promote. Strategic values help to ensure our core values are visible throughout the organization by identifying actions that demonstrate their meaning. It is recognized that the specific actions which need to be enhanced during the subsequent two years are as follows:

Core Values	Strategic Values
Collaboration/Team Work	Each individual contributes to the completion of assigned projects and recognizes the contributions of others.
Integrity	Each person ensures that clients are provided with reliable and objective analysis and advice and that their rights to privacy are protected.
Professionalism	Each individual is committed to providing quality services through the efficient uses of our resources.
Responsiveness	Each individual fulfills requests based on clients needs.
Timeliness	Each individual meets deadlines consistent with identified priorities.

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6.0 Primary Clients and Stakeholders

In delivering its mandate, the Department of Finance has identified the following primary clients:

- General Public
- Credit Rating Agencies
- Provincial Government Departments
- Government Employees and Retirees
- Cabinet and Cabinet Committees
- House of Assembly and its Members
- Business Community
- Federal Government
- Media
- Vendors
- Unions
- Auditor General
- Statistics Canada
- Volunteer Community

The department also works collaboratively with its stakeholders, which include capital markets, the Canadian Institute of Chartered Accountants and other accounting organizations, and Memorial University of Newfoundland.

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7.0 Vision

The vision of the Department of Finance is a province with a vibrant and self reliant economy and prosperous people.

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8.0 Mission

The mission statement identifies the priority focus area of the Minister over the next two planning cycles. It represents the key longer-term result that the Minister and the department will be working towards as they move forward on the strategic directions of government. The statement also identifies the measure(s) and indicator(s) that will assist both the entity and the public in monitoring and evaluating success.

In its vision of a strong, sustainable, self reliant Newfoundland and Labrador, government has to strike the perfect balance of fiscal stability and strategic economic investment. In working towards its vision government has focused on specific areas that are included in the Department of Finance's mandate. One of the areas identified is the taxation regime of the province. The taxation regime of a province is recognized as a critical component of a competitive economy and for this reason government announced in Budget 2006 it planned to undertake a review of its overall tax structures. Government also announced in Budget 2006 that it foresaw a future with surpluses and it planned to reduce its exposure to debt by applying revenue to the pension plan liability. The Department of Finance will support government in the achievement of these goals through its responsibilities in relation to the stewardship of public money and fiscal management, as conferred by government and outlined in its mandate.

By March 31, 2011, the Department of Finance in its commitment to strong fiscal management will have supported government in the effective management of the province's finances, achievement of annual surpluses and the development of a business climate which promotes economic growth.

Measure: Financial Position
Improved Business Climate

Indicators:

- Revenue enhancement activities
  - Improved collections
  - Reduction of bad debt
  - Representation to the federal government by the minister at federal - provincial tax meetings
- Expenditure restraint/discipline activities
  - Identification of spending priorities
- Forecasting practices/activities
- Improvement in credit rating
- Maintenance and/or improvement of financial indicators
- Messages from the Auditor General's Financial Report

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9.0 Strategic Issues

In consideration of government's strategic directions and the mandate and financial resources of the department, the following areas have been identified as the key priorities of the Minister for the next two years. The goals identified for each issue reflect the results expected in the two year timeframe while the objectives provide an annual focus. Measures and indicators are provided for both the goal and the first year's objective to assist both the department and the public in monitoring and evaluating success.

Issue One: Financial Management

In the achievement of its goal of a strong and self reliant Newfoundland and Labrador, government is committed to striking the perfect balance that marries fiscal stability with strategic economic investment. Government announced in Budget 2006 that in its commitment to fiscal stability it would be moving forward with the development of balanced budget legislation and that it planned on maintaining surpluses for fiscal years ending 2007 and 2008. Through the effective management of the province's operating resources the Department of Finance will support government in the achievement of this commitment.

Goal One:
By March 31, 2008 the Department of Finance will have effectively managed the province's financial operating resources and recommended actions to ensure budget surpluses are achieved for fiscal years ending 2007 and 2008.

Measure: Budget surplus is achieved

Indicators:
- Improved financial position for fiscal year ending 31 March 2007
- Improved financial position for fiscal year ending 31 March 2008
- Government direction is known
- Budget documents reflect government direction

Objectives:

1. By March 31, 2007 the Department of Finance will have recommended actions to ensure a surplus for the fiscal year ending 2007.

   Measure: Budget surplus is achieved

   Indicators:
   - Improved financial position for fiscal year ending 31 March 2007
   - Government direction is known
   - Budget documents reflect government direction

2. By March 31, 2008 the Department of Finance will have recommended actions to ensure a surplus for the fiscal year ending 2008.

Issue Two: Funded Pension Plans

Newfoundland and Labrador carries a heavy debt burden of net debt of about $12 billion. In servicing the debt government utilizes revenue that could otherwise be directed at strengthening social programs and growing the economy. Government is committed to reducing debt to a prudent level. In Budget 2006 government announced it would be applying a significant portion of the Atlantic Accord revenue against the pension plan liabilities, which represents a significant debt for the province. The Department of Finance will support government in achieving this commitment by implementing actions to improve the pension plan fund's status.

Goal Two:
By March 31, 2008 the Department of Finance will have improved the funded status of provincial public sector pension plans.

Measure: Funded status of the provincial public sector pension plans

Indicator:
- Funded ratios are improved

Objectives:

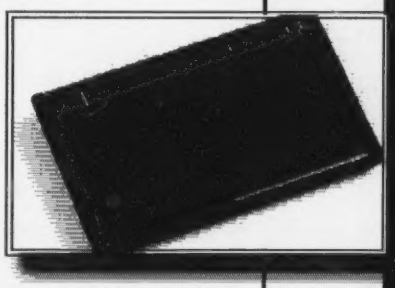
1. By March 31, 2007 the Department of Finance will invest more monies into the Pooled Pension Fund and begun its capital market borrowing plan to increase the funded ratio.

   Measure: Investment is made and capital market borrowing plan has begun
   Indicators:
   - Funded ratios are improved
   - $800 million invested

2. By March 31, 2008 the Department of Finance will have completed its capital market borrowings to increase the funded ratio of these plans.

Issue Three: Business Climate

Government is committed to growing the economy with a focus on job creation and small and medium size business development. Competitive personal and business tax regimes attract business investment and personnel necessary to position the province to take advantage of new opportunities in the merging global economy. The tax system must also be fair and promote self reliance, while providing revenue that government needs to fund programs and services such as health care and education. Government announced in Budget 2006 it planned to undertake a review of its overall tax structures. The Department of Finance will support this commitment by conducting a review of the provincial tax system to determine if there is a need to re-balance the tax mix to ensure it is fair, equitable and competitive, and recommending actions to improve the business taxation climate. Upon receiving direction from government the Department of Finance will further design and implement changes to the existing taxation regime.



Goal Three:

By March 31, 2008 the Department of Finance will have completed its review of the province's overall tax structures and recommended actions to improve the business climate and upon direction of government designed and implemented changes to the existing taxation regime.

Measure: Report on Taxation Regime

Indicator:
- Recommendations accepted for consideration by government

Objectives:

1. By March 31, 2007, the Department of Finance will have completed its review and analysis of the province's overall tax structures and recommended actions to improve upon personal and business taxation.

   Measure: Report on Taxation Regime
   Indicator:
   - Recommendations accepted for consideration by government

2. By March 31, 2008, the Department of Finance will have actioned priority recommendations, as approved by Cabinet, relating to the tax system.

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Appendices

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APPENDIX A

STRATEGIC DIRECTIONS

Strategic directions are the articulation of desired physical, social or economic outcomes and normally require action by more than one government entity. These directions are generally communicated by government through platform documents, Throne and Budget Speeches, policy documents, and other communiqués. The Transparency and Accountability Act requires departments and public bodies to take into account these strategic directions in the preparation of their performance-based plans. This action will facilitate the integration of planning practices across government and will ensure that all entities are moving forward on key commitments.

The directions related to The Department of Finance are provided below. Each strategic direction is comprised of a number of components, or focus areas. These focus areas will be addressed through the various planning processes of the department. As indicated in the table below, some have been addressed in this strategic plan while others are addressed in the operational and/or work planning processes.

1. **Title:** Financial Management

   Outcome Statement: Fiscal Stability

   Clarifying Statement: This outcome supports the policy direction of government and requires systematic intervention in the following areas:

Strategic Direction Components	This direction is addressed in the entity's....		
	Strategic Plan	Operational Plan	Work Plans
1. Expenditures			
◆ Debt Control	√		
◆ Fiscal discipline and control	√		
◆ Financing arrangements			
◆ Funded debt		√	
◆ Interest cost		√	
◆ Unfunded pension liability	√		
◆ Post retirement benefits/liabilities	√		
2. Revenue			
◆ Provincial economic development	√		
◆ Revenue collection process		√	
◆ Efficient tax administration			√
◆ Natural resources revenues		√	
◆ Fairness in federal transfers		√	

2. **Title:** Tax Policies and Incentives

Outcome Statement:
Personal and business taxes are competitive with Atlantic Canada

Clarifying Statement:
This outcome supports the policy direction of government and requires systematic intervention in the following areas:

Strategic Direction Components	This direction is addressed in the entity's....		
	Strategic Plan	Operational Plan	Work Plans
1. Social			
◆ Poverty reduction	√		
◆ Seniors	√		
◆ Students and new graduates	√		
◆ Families	√		
2. Economic			
◆ Business tax	√		
◆ Income and consumption tax	√		

APPENDIX B

LIST OF REPORTING ENTITIES

Department of Finance

Public Service Secretariat

Public Service Commission

C.A. Pippy Park Commission

C.A. Pippy Park Golf Course Limited

Newfoundland and Labrador Liquor Corporation

Newfoundland and Labrador Consolidated Sinking Fund

Government Money Purchase Plan

Atlantic Lottery Corporation

Newfoundland and Labrador Industrial Development Corporation

Newfoundland and Labrador Municipal Financing Corporation

Newfoundland Government Fund

Newvest Realty Corporation

Newfoundland and Labrador Pooled Pension Fund

Labrador Transportation Initiative Fund

Newfoundland
Labrador